


Executive Leadership Development As A Strategy For Long Term Business Success

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ABSTRACT

This article discusses executive leadership development as a strategy for long term business success. Sustainable organizational health depends in large part on a steady stream of upper level leaders who have the values, skills, competencies and behaviors necessary for organizational advancement. Cutting edge leadership development is discussed with specific examples from the Top 20 leadership companies as identified by Hewitt Associates in 2005. Specific leadership development programs are discussed including mentoring, coaching and shadowing and guidelines are suggested for effective leadership development.

INTRODUCTION

 Executive leadership development has become a hot topic in many organizations today. In today's workplace, the nature of work, organizational hierarchy and organizational structure are changing. (Byham, 1999). The best companies for leaders may be the ones with a strong focus on leadership development and with CEOs who are actively involved in the process. (Pomeroy, 2005) Organizations have begun to focus on their leadership development programs due to the pending retirement of the baby boom generation, evolving demographics and scarce resources (Lockwood, 2006). Many companies are investing billions of dollars and thousands of hours to teach and prepare its leaders of tomorrow. In 2006, organizations spent an estimated \$50 billion dollar to develop executive leadership programs (Lockwood, 2006)

In order to better prepare internal leaders for increased responsibility, organizations are placing heavy emphasis on programs such as mentoring, coaching, and shadowing. They are also creating or implementing techniques that are necessary to make the programs productive and measurable through performance appraisals, and direct feedback through role playing and other team building opportunities. The programs and techniques used today are receiving much more attention than before due to the fact that organizations are beginning to realize that in order for them to survive or at least remain competitive they must begin investing in the leadership development of their future leaders. General Electric's Jack Welch was a strong believer in leadership development. Welch believed and preached the fact that the most important core competency of a General Electric leader is to be a teacher. (Tichy, 2002 & 2004). Says Pomeroy (2005, 20), "The best companies for leaders are the ones with a strong focus on leadership development and CEOs who are actively involved in the process."

This article examines today's field of executive leadership development by looking at cutting edge programs and techniques and suggesting guidelines for effective programs. We begin by defining leadership development and who may be a candidate for these programs.

WHAT CONSTITUTES EXECUTIVE LEADERSHIP DEVELOPMENT

Leadership development is a process whereby current leaders or aspiring leaders learn the skills, competencies, and behaviors needed to be a more effective leader i.e., to influence and facilitate others toward achieving some goal. Leadership development can typically be done in three ways: through experiences, training, or education. The latter approach is more of a generic one usually undertaken at outside institutions such as colleges or universities such as the MS in Leadership degree at Nova Southeastern University or the MSN in Leadership degree at

The American College. (Anonymous, 2005). Leadership development as discussed in this article focuses on internal organizational programs designed to advance the new or mid-level leader within the organization.

Most organizations, faced with limited resources, select specific individuals as targets for leadership development. This includes top executives, middle managers, people identified as “high potentials,” and, in health care, clinical leaders. Some organizations, such as Ernst & Young and Accenture, target parts of leadership development to women and minorities to ‘level the playing field.’ Teams can also be the focus of a leadership development system. (Melum, 2002, p. 56)

To better understand the field of executive leadership development, it should be helpful to look at what top companies are currently doing to develop their internal leaders.

CUTTING EDGE EXECUTIVE LEADERSHIP DEVELOPMENT

While actual leadership programs may vary somewhat from company to company, common components have been identified which when integrated into a program lead to successful leadership development. One well-known multi-year survey was done by Hewitt Associates. In early 2005, 373 public and private sector companies responded through their human resource executives to a survey designed to identify the top 20 U.S. companies for leaders. Figure 1 shows the Top 20 based on this study.

**Figure 1
Hewitt Associates’ Top 20
U.S. Companies for Leaders, 2005**

1. 3M Company	11. Capital One Financial Corp.
2. General Electric Company	12. Whirlpool Corp.
3. Johnson & Johnson	13. Colgate-Palmolive Co.
4. Dell Inc.	14. Pitney Bowes, Inc.
5. Liz Claiborne, Inc.	15. Pfizer, Inc.
6. IBM	16. FedEx Corp.
7. Proctor & Gamble Company	17. Washington Group International, Inc.
8. General Mills, Inc.	18. Home Depot, Inc.
9. Medtronic, Inc.	19. Avery Dennison Corp.
10. American Express Co.	20. Sonoco Products Co.

(Hewitt Associates, 2005, 17)

Additional data sources included financial performance, company reputation, and diversity practices, and, most importantly for current purposes, leadership development approaches. The top 20 differentiate themselves from the rest by three key factors: (1) The top leadership (CEO and Board) are actively involved in developing leaders in the company; (2) The top leadership gives more attention, exposure, compensation, and development to those they see as high-potential internal leaders; and (3) Leadership development programs are carefully integrated and related to the business strategy of the company. (Hewitt, 2005). Some interesting statistics emerge from this study and are useful in explaining how cutting edge leadership development programs separate themselves from the rest.

- *95% of the Top 20 identify their internal, high-potential leaders in a formal way, as opposed to 77% of other organizations.
- *75% of the Top 20 tie the internal leader’s potential to advance within the company to compensation, as opposed to only 38% of other organizations.
- *More than 66% of the Top 20 use incentive pay at the 90th percentile or higher for their high-potential leaders as opposed to only 13% of other organizations.

- *95% of the Top 20 ensure that their internal, high-potential leaders interact with top leaders, with more than 66% of them having regular or continuous exposure to the CEO as compared to fewer than 50% of the other organizations.
- *89% of the Top 20 provide regular stretch assignments for their high-potential leaders while only 43% of other organizations do the same.
- *More than 50% of the Top 20 regularly use mentoring and coaching with their high-potential, internal leaders while only 22-24% of other organizations do so. (Hewitt, 2005)

The text box entitled “Leadership Development at 3M” provides further information on the company ranked number in the Hewitt report. Then, we take a closer look at three pedagogies frequently used in high-performing leadership development programs.

COMPONENTS OF LEADERSHIP DEVELOPMENT PROGRAMS

In order to develop an executive leadership program, several programs must be implemented in order for future leaders to become well trained and prepared for future assignments while currently employed. The programs that will be discussed and are some of the most popular are mentoring, coaching, and shadowing.

Mentoring

Mentoring is a natural component of effective leadership and plays a major part in the development of future leaders. (Gibson & Tesone, 2000). According to one article, a mentor is a person

with experience, expertise, wisdom and/or power who teaches, counsels and helps a less experienced or less knowledgeable person to develop professionally and personally. (Daniels, 2000)

Many organizations have established mentor programs to insure its future leaders are receiving guidance and feedback from middle and senior managers involved with the development of its leaders. A mentoring relationship can help a leader gain career advice, support, and perspective (Tyler, 2004). Many of the new leaders are very eager to learn. They are seeking knowledgeable mentors that can help them grow within the company by assisting them in overcoming many obstacles and challenges placed before them. A formal organizational mentoring program as part of the overall leadership development strategy will facilitate the pairing process and assure that high potential junior or mid-level leaders have access to top-level leaders and the networks and experience that they represent.

The mentorship must be implemented correctly in order for the mentee to benefit from the experience. Rules or guidelines are established to insure the mentor and the mentee are working together and that the mentee is gaining knowledge and experience from an experienced leader willing to teach and train the organization’s future leaders. Some benefits of a mentor program are it provides a jumpstart in the workplace, it lowers turnover, and it increases profitability and creates a positive environment (Anonymous, 2004). In other cases, the mentoring relationship gives the leader mentee insight to a part of the business that he or she would not ordinarily experience. Take this example in the health care industry.

A growing number of top-level healthcare executives are renewing the field’s commitment to leadership development...Few medical schools formally educate their students about the business side of healthcare delivery. To help close that knowledge gap, one-on-one mentoring relationships between senior-level administrators and physical executives can provide a forum for developing critical entrepreneurial and management skills. (May, 2003, p. 6.)

Leadership Development at 3M

In 2002, Denny Nowlin, Manager of Human Resource Development Europe told Mara Melum that 3M has six critical success factors in its leadership development system:

1. Leaders act as teachers to other leaders.
2. Leaders get intensive training in Six Sigma, an important part of the company's strategy.
3. A fast-track leadership development program focuses on potential high performers.
4. Leadership development is purposefully tied into the company's business goals and strategies.
5. The top 3M leader is a visible champion of leadership development.
6. Leadership attributes are defined by the management team and these attributes determine expectations. (Melum, 2002)

Giving physical reinforcement to the importance of leadership development, the 3M Leadership Development Institute is easily accessible to the CEO and consists of an intense, 17-day training program during which participants develop actual solutions to current business problems facing 3M. CEO, James McNerney, a former GE executive and himself a benefactor of long term leadership development at GE, is largely responsible for the Institute. He demonstrates top leader commitment in the best way possible by personally listening to the problem solutions that the leadership participants recommend. (McClenahan, J. S., 2004)

Coaching

Coaching for executive development has gained a tremendous amount of attention in recent years. There are three types of coaches commonly found in Corporate America: the executive as coach, an HR specialist as coach, or an outside coaching consultant (Eggers & Clark, 2000) The latter has become big business as one source reports there are currently at least 30,000 business coaches worldwide with annual revenue of about \$1.5 billion. (Sienbenmark, 2007). While mentoring and coaching both rely on one-on-one relationships, there is an important difference. Whereas mentoring entails a more experienced person opening doors and shortening the learning curve for the less experienced person, coaching often focuses on individual development issues.

The people who benefit most from coaching are those highly talented executives, frequently bright strategic leaders, who need to be more effective with communication style, interpersonal skills, sensitivity to others or the extension of simple courtesies. Ultimately, coaching is an opportunity for self-development. (Reeves, 2006, p. 48)

Coaching has been well received among organizations who realize the benefits when used effectively. Coaching helps executives or leaders work on specific skills like managing change, improving communication skills such as listening or public speaking and building trust among coworkers. Enhanced abilities in task performance have also been noted. (Anna, Chesley, & Davis, 2001). There are also more general benefits.

Employees are more satisfied as they recognize the investment made in them by the organization. Other benefits of coaching include lower stress levels and less burnout among executives. (Anna, Chesley, & Davis, 2001, p. 64)

As with other techniques, coaching is not a guaranteed win. Organizations need to ensure that the coaching program is tied into other leadership development efforts and that the right coach is made available to each leader/participant. Financial resources are considerable in setting up a coaching program and must be considered carefully as part of the overall leadership development budget.

Shadowing

Shadowing is another program where participants are allowed to shadow or follow a fellow manager or executive in order to gain experience and knowledge within a similar career tracking program for the benefit of advancing within the organization. Job shadowing can range from a day to several months dependent upon the role or plan developed for the employee. This program provides a very limited form of experience based on observation

only. The process reduces the hands on experience necessary to advance within the company. The benefits of shadowing to a future leader and the organization are:

It provides the opportunity to watch someone in action, the opportunity to ask questions of someone while they are actually doing work, and the opportunity to check out some of your assumptions about that particular field of work. (<http://training.fws.gov/led/idp/shadowing.html>, para. 2)

GUIDELINES FOR EFFECTIVE LEADERSHIP DEVELOPMENT

For those wishing to assess their own executive leadership development program or for those who may be considering starting such a program, the authors suggest the 4 “I” Strategy as a model of critical program components.

**The 4 “I” Strategy
(Critical Components for an Effective Leadership Development Program)**

I	Identify high potential leaders
I	Invest in high impact training
I	Involve top level leaders
I	Integrate training and strategy

Identify High Potential Leaders

One strategy for providing executive leadership development is to make the same program available for all leaders or managers who have reached a certain job level within the organization. This is a far easier approach than trying to determine which leaders have the most potential for future career advancement within the company, but it might not be the most effective. An alternate strategy is to use performance appraisals and top level management knowledge to assess the potential of the leaders currently eligible for development programs. Says one Executive Coach,

High-potential leaders are typically culled from the ranks of those with technical mastery in their respective disciplines. We take our best engineers and financial managers, our best sales and marketing people, our best corporate lawyers and throw them into the leadership soup. We may send them away for training in new technical areas or pass them through a rotation of brief assignments in key areas to expand the breadth and scope of their knowledge. (Holden, 2006, 19)

According to the Hewitt study, not only do Top 20 companies have a formal identification process for their high-potential, internal leaders, but they tell these people that they have been so designated. They work hard to develop this cadre of current and future leaders and they work hard to ensure retention of this talent. As a group, the high-potentials are rewarded, nurtured, and differentially compensated. Leadership development training is focused on this group as opposed to being equally spread across all managers at a certain level. (Hewitt Associates, 2005).

Invest In High Impact Training

Executive leadership development must be as exciting and energizing as the high potential employees who you have chosen to invest in. Gone are the days when a traditional classroom presentation can suffice for effective training. Surely there is room for classroom presentations and the more current equivalent of online training in terms of delivering information, but the real impact comes from getting the leadership trainees involved in a personal and compelling way. The techniques of mentoring, coaching, and shadowing discussed should be built into the program whenever possible. In addition, two pedagogical tools are suggested to raise the impact of the training program.

360 Degree Appraisal

The 360-degree appraisal is a very important technical tool for leadership development. It was developed over thirty years ago for informational gathering assessments and now it is a major tool for leadership development. This tool provides feedback to an employee from information gathered from his or her peers, co-workers, managers, and others who the employee works with on a regular basis. The key to the success of this tool is to gather as much information from several different sources in order to receive a balanced form of feedback for leadership development opportunities. This feedback should be facilitated through the coaching mechanism described above.

It is recommended that the feedback be delivered in conjunction with opportunities for one-on-one coaching, as many participants find the feedback difficult to translate into everyday behaviors. A trained coach can help participants make sense of the data... The (resulting) individual development plan....should then become the blueprint for the participant's leadership development efforts. (Green, 2005, 59)

The 360-degree appraisal once completed, will allow the information gathered to be reviewed by management and then presented to the recipient for personal assessment. The best leaders are those that are developed within a program where there is always feed back to how one is performing. The main focus of this technique should be goal setting, identifying standards and measurements, and determining what constitutes superior performances. This process should involve both the management team and its supporting parties. Some issues that have evolved around the 360-degree appraisal are first of all, it is very time consuming to complete, the information gathered isn't always reliable, and a lack of clarity on the information received affects the responses between the employee and the presenter. New online instruments and careful training in 360 philosophy and techniques can eliminate these problems almost entirely.

Role Play

Another way to bring immediacy and relevance into the training program is through the time-honored technique of role play. Today's leaders need to use critical thinking and interpersonal skills to make multiple decisions on a regular basis. (Sogunro, 2004). Research has shown that role playing has become a major technique to gaining a successful leadership development program through its dynamic, learner-centered pedagogy. Role play accelerates the learning process and skills acquisition, and it exposes future leaders to complex concepts through active learning and experience.

Evidence abounds that those who participate actively in a learning activity are more likely to demonstrate greater cognitive and skill understanding of concepts learned than many traditional didactic forms of instruction. Role-playing encourages practice and direct experience in specific activities similar to real-life situations. With direct experience through role-playing, much is learned by understanding and comprehension of the learning activity. (Sogunro, 2004, p. 356)

Involve Top Level Leaders

There is little disagreement among trainers and organization development experts that involvement of top level management is essential to any type of significant development efforts. (Green, 2005) This is specifically true when it comes to leadership development. Top leaders are representative of what leadership stands for in an organization. An up-and-coming leader will surely observe the values and behaviors of the upper echelon. If these behaviors do not show an interest in the high-potential leader, these stars are likely to look elsewhere. High-potential leaders, like high achievers of any type, like feedback, challenge, and learning opportunities.

At UPS, VP Cal Darden credits founder Jim Casey for recognizing the importance of developing internal leaders.

Senior executives are committed to funding leadership development programs at high levels. Indeed, investment in the bench strength of "high potentials" is not faltering...The result of all this leadership training at UPS is the creation of

a new generation of leaders who can step up to responsibility without the company so much as missing a beat. (Darden, 2004, p. 12)

Top 20 organizations hold their leaders responsible for developing other leaders. They assume responsibility for the success of executive leadership programs and they know that their own compensation is tied to their success in this area as well as other performance benchmarks. (Hewitt Associates, 2005).

Integrate Training And Strategy

Top 20 companies do a great job at integrating leadership development programs and processes into key strategic goals so that high-potentials are not just receiving generic training, but instead are being deliberately developed for success within the sponsoring organization.

The Top 20 companies consistently offer more programs for growing leadership talent and are distinctively more successful at making them work. This success may be due to having specific strategies for developing leaders, a feature at 100% of the Top 20 companies but at only 62% of other companies. (Hewitt Associates, 2005, 5)

Top level leaders in conjunction with HR professionals need to ensure that organizational goals are integrated into the leadership development approach and techniques chosen. This integration of strategy and leadership development assures a comprehensive program which is results oriented, synergistic, and sustainable. (Lockwood, 2006).

CONCLUSION

Given the rate of change in organizational environments and the upcoming retirement of large numbers of baby boomers currently in leadership positions, it can safely be concluded that the importance of executive leadership development will continue to grow. Companies can profit by benchmarking what top companies are doing in preparing their high potential, internal leaders for increased responsibility. Identifying high potential leaders, investing in high impact training, involving top level leaders, and integrating training and strategy are suggested as ingredients of long term business success.

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